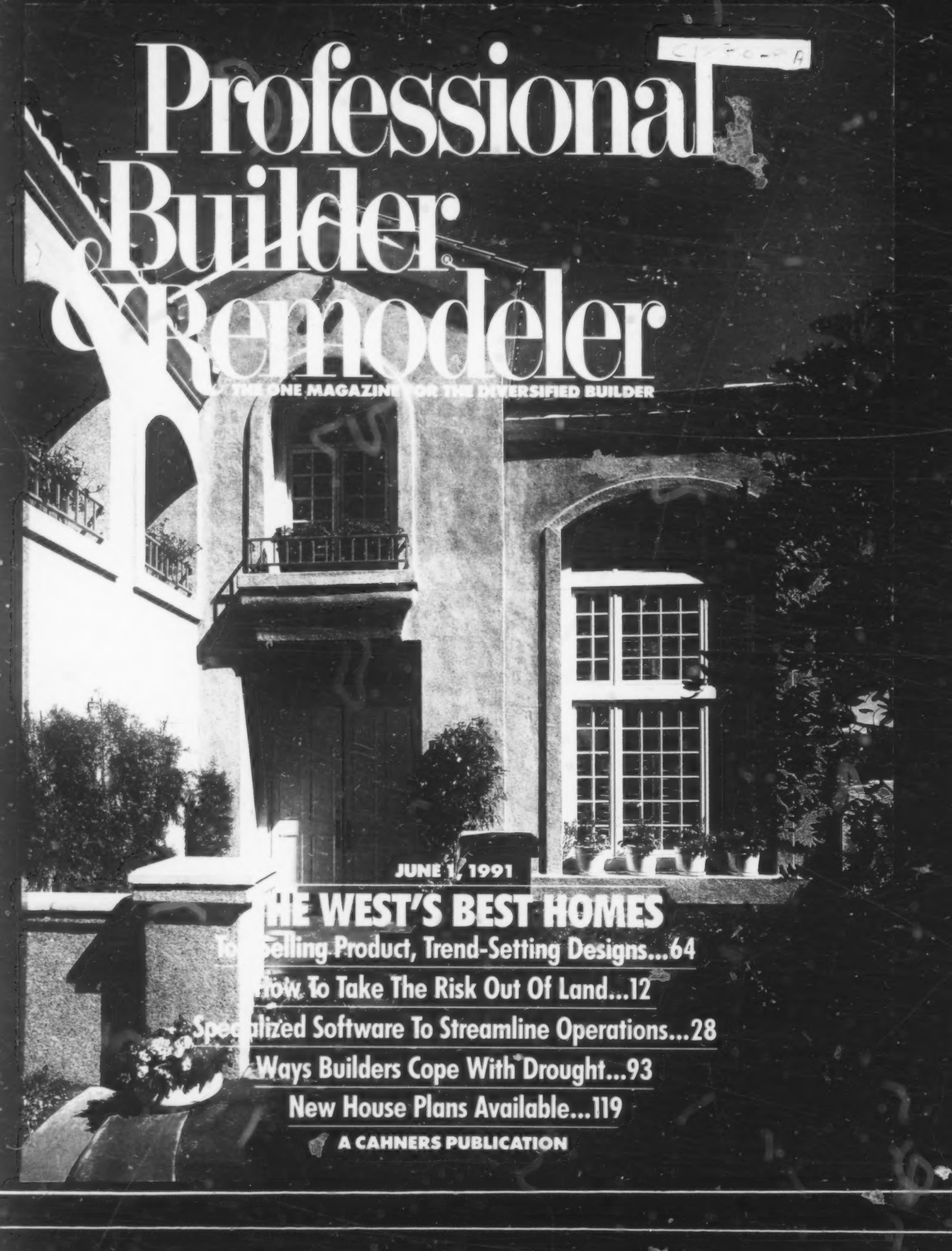




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# Professional Builder & Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER

JUNE 1, 1991

## THE WEST'S BEST HOMES

To Selling Product, Trend-Setting Designs...64

How To Take The Risk Out Of Land...12

Specialized Software To Streamline Operations...28

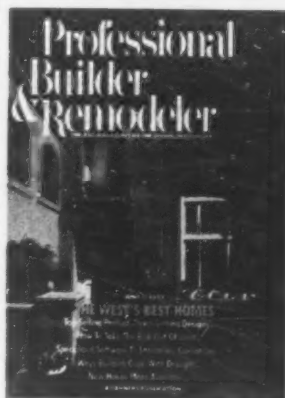
Ways Builders Cope With Drought...93

New House Plans Available...119

A CAHNERS PUBLICATION

# Professional Builder & Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER



## On The Cover

■ Bramalea's San Marino development in Orange County, Calif., is marketed as the ultimate move-up community—an alternative to custom building. The homes, which range in price from \$600,000 to \$730,000, were designed by Berkus Group Architects, with interiors by Color Design Art. Photography by Jac Jacobson.



Mission-style remodeling: p. 86.

## FEATURES

### Seven Trends From The West's Best Homes

64

*From contemporary Mediterranean to nouveau southwest to the European village, the hallmarks of the best model-home presentations are market-driven design and superb dollar value.*

### What's Hot In New Rooms

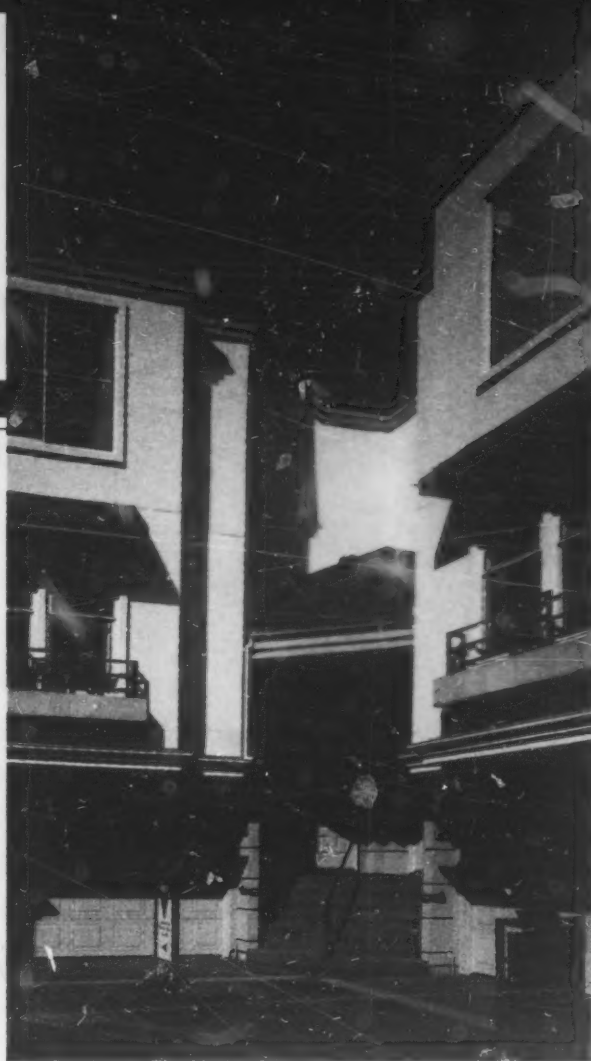
80

*With specialization the trend, builders and remodelers must be able to shape rooms—home offices, activity areas, entertainment centers—for particular needs and interest.*

### Remodeling Project Of The Month

86

*The toughest remodeling skill is making a good house better. In this project, a mission-style loggia both brightens a courtyard and offers access to new areas of the home.*



The best housing in the West: p. 64.



New management techniques: p. 28.



Innovative product trends: p. 98.

JUNE 1, 1991

## Business

■ Builders are restructuring to reduce exposure. We take an in-depth look at the rolling-lot option: p. 12. Housing tax breaks are being sought in Washington this year, but anxiety over the federal deficit may result in legislative gridlock: p. 20.

## Management

■ Specialized software programs speed builder tasks by streamlining both special transactions and day-to-day operations. Here's a quick look at packages that are available: p. 28. These are tough times to be starting out in the building business. Here's advice on how novices can make it: p. 38.

## Marketing

■ Here's a look at a variety of luxury designs in sales offices—some modern, some classic: p. 47. Merchandising consultant Beverly Trupp takes a look at how markets are changing: p. 53.

## Technology

■ In the fifth year of the California drought, home builders are being forced to use water-saving methods in construction. One of the most unusual—paying to retrofit existing houses before they can build new ones: p. 93.

## Next Issue

■ In July: The 24th ANNUAL REPORT OF HOUSING'S GIANTS®, the industry's most complete listing.

## DEPARTMENTS

**Editorial:** Tracking Remodeling's Payback. . . 9

**Money:** Why California Will Remain Strong. . . 16

**Washington:** Help For Home Building?. . . 20

**Inside Housing:** Package For Young America. . . 24

**Real Estate Dynamics:** Responsive Markets. . . 32

**Accounting:** Disclosure Statements. . . 42

**Interiors:** Mid-Year Prospects. . . 53

**Product Showcase:** Windows. . . 98

**House Plans** . . . 119

**Indicators:** Multifamily Outlook. . . 141

## ■ MONEY

### Why They Keep Coming To California



By Allan G. Bortel,  
Chartered Financial  
Analyst, Vice President,  
Sutro & Co.

**The impact of California's 5.9 million population growth is equivalent to having the entire state of Massachusetts move in and recreate its living environment.**

**T**he 1990 Census has made it almost official: More people moved to California during the 1980s than to any other state—helping increase the state's population to nearly 30 million, a gain of 25%. An excellent job market helped considerably, due to the state's well diversified economy. California's population growth of 5.9 million is equivalent to having the entire state of Massachusetts had, over a period of only 10 years, moved in and had to recreate its living environment, from housing to schools to jobs.

The United States, by comparison, grew 10.2% to 250 million, an increase of 23 million people. Roads, public transportation, water and many other public facilities have certainly lagged far behind this growth, but a point most people agree on is that the incredible population pressures of the last 10 years have caused California's huge increases in land and home prices.

Is it all over? No, it's just beginning for some areas of the state. At first, people moved into the choicest weather areas along the coast. Now, however, they are willing to buy their dream home in less expensive areas like the hot Central Valley.

But, they still cope with the statewide drought, and drive a two-hour commute (possibly each way!).

Overlooked by the doom-sayer pundits is the California higher education system, with nearly 2 million enrolled, from the world-class Nobel Prize-laden University of California system, down to the two-year community colleges. Current tuition is extremely low, given the return to graduates (and their families) when they hit the job market. If you live in the hinterland you can still send your kids to the state's magnificent education system.

The irony currently is watching every man, woman and child covered with soap as they shiver while conserving water. (Conservation, to a resident of rainy Washington State, simply means turning off the hose while he is washing his car.)

For builders and remodelers, the lesson this time in California is about water conservation. In one Northern California county, the Water Department has recently mandated low-flow toilets in all new and remodeled construction. Lugging buckets from showers to flush toilets and water the garden is no fun. So the new challenge for our readers has to be providing cost-efficient recycling and less wasteful delivery from those water pipes—another valuable California lesson for the builder/remodeler wherever you live.

### Recession Linked To Global Housing

**A** recent study by the Paris-based Organization for Economic Cooperation and Development reported housing starts in 13 industrialized nations (including the U.S.) fell an average 5% from 1989 to 1990.

A global slowdown of that magnitude could delay recovery in the U.S. economy, said the U.S. League of Savings Institutions, by cutting demand for U.S. exports of housing-related consumer goods.

League officials pointed out that housing directly or indirectly accounts for an estimated 5% of all economic activity, abroad as well as at home. Increasing exports is a key factor in a speedy U.S. recovery. □

### Market Rebound Spurs Optimism

**T**he Gulf War cease fire did wonders for the buying public and didn't hurt the mood of builders and remodelers either. The February PB&R/Owens Corning Fiberglas Contractor tracking study shows that optimism is soaring—it jumped 43 percentage points in less than 30 days.

What is your outlook for the new housing/remodeling business in your area during the next three months? Do you think it will be:

|         | Jan. 1990 | Jan. 1991 | Feb. |
|---------|-----------|-----------|------|
| Better? | 43%       | 29%       | 72%  |
| Worse?  | 16%       | 15%       | 1%   |
| Same?   | 42%       | 56%       | 27%  |

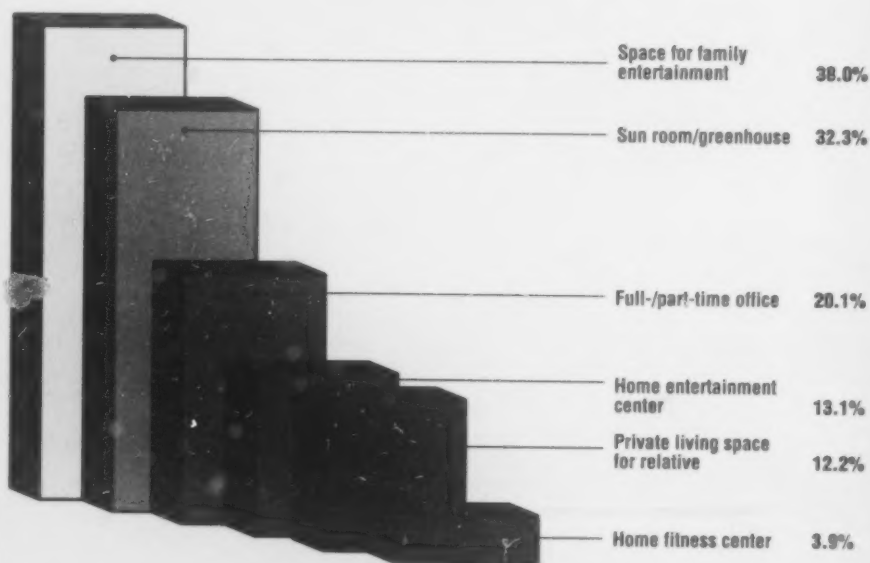
Source: Contractor Tracking Study

# What's **HOT** In New Rooms

*With specialization the trend,  
builders must create rooms  
for very particular needs and interests.*

*By Susan Bady, Senior Editor and Lisa Marquis, Staff Editor*

**What Consumers Want In A Room Addition**



Source: Professional Builder & Remodeler consumer remodeling study, December 1990.





Photo: Industrial Photographics



Photo: Glen Allison



Photo: J.L. Smith Photography

The preferences of consumers planning a room addition, see chart, left, reflect trends in new housing. Media rooms, left and far left, are popular, but the latest hot button is the home theater, top.

*Imager 150 projector: General Electric.*

**A**t Roxford Crest, a community of detached homes in Tustin Ranch, Calif., the media room, photo, far left, is a popular option. The multiple-TV setup appeals to move ups, who can watch television at the same time their preteen children are playing computer games, says Linda Woods, marketing director for builder Bramalea of California.

Don Anderson of Color Design Art conceived the idea for a rotating TV, bottom two photos, left, in a townhouse at The Admiralty in Dana Point, Calif., built by Pulte.

Because there was not enough space for a large-screen TV set in both the master bedroom and adjacent media room, Anderson designed a free-standing TV that rotates back and forth between rooms. The set is wired through the bottom of a circular drum.

Las Vegas builder Sam Sullivan, of Structural Management of Nevada, says the latest hot button for upscale buyers is the home theater, top photo. Sullivan is putting theaters into three other houses and plans to do more. This system includes a projector with 100-inch screen, VCR and stereo. Components are hidden in cabinets below the screen. □

## Office Space Is In Demand For Both New And Remodeled Homes

**B**rudno/Routh remodeled a home in Austin, Texas to include a multi-purpose area, photo, below left. The previous owners planned to remodel the entire boxcar-shaped home but ran out of money before one end, containing a 1950s kitchen and a non-functioning garage area, was completed. Brudno/Routh turned this end of the house into a guest room, media room and study.

The 22-by-24-foot study received special emphasis. The owners can enter the main part of the home through the garage without interfering with the privacy of the study. French doors keep it bright and open up to a refinished courtyard. Elaborate hardware and paneling were designed to match the original remodel.

The home office, photo, below right, is included in the Sussex model at WoodBridge in Elgin, Ill.,

built by the Zale Group. Located off the foyer on the main level of the house, the room offers privacy, interior French doors, plenty of windows and an optional vaulted ceiling.

The elegant sitting room and library pictured at right are featured in the 9000-square-foot Marshall model at Woodlea Mill in McLean, Va., a community of estate homes priced from \$1.2 million to \$2 million. Mitchell Racoosin of Associated Builders says he includes libraries in all of the houses he builds.

"About 90% of our clients use the library as an office," Racoosin says. The room has cherry-wood paneling, custom-designed bookcases and finely detailed millwork that is done in an on-site shop. Note the fire-piece, solid cherry crown molding and arched casing over the bookshelves. □



Brudno/Routh created a study out of a non-functioning garage, above left. Light, bright home office, right, is in the Sussex model at WoodBridge, built by the Zale Group. Library and sitting room at Woodlea Mill, far right, is often used as an office. Home was built by Associated Builders.



Photo: Maxwell MacKenzie





## Special Rooms Designed For The Pursuit Of Fitness And Relaxation

**Y**oung professionals with children love the bonus room, photo below, at Middlebrook Manor in Germantown, Md. According to Christopher Zell of Winchester Homes, the 18-by-18-foot room can be used as a media room, playroom, exercise room or anything else the homeowner desires.

"It's an extra edge," says Zell. "Our buyers are typically second or third move ups, and we have to offer them something different."

The bonus room is included in the base price of one model and offered as an option in two others (cost: \$12,000). It is merchandised here as a game room and home office.

The walk-in closet and dressing room shown at right was created for the owner of a beach house near Santa Barbara, Calif. Builder Cliff Carpenter crafted the home of clear all-heart redwood.

The skylight lets natural light

into the room but is tinted and has a redwood grille to cut direct rays that fade clothing.

The elaborate game room, top photo, far right, is part of an addition to a Glendora, Calif., home remodeled by T.A. Russell Construction. Russell added over 1700 square feet above the existing garage in this two-story addition.

The game room is located on the main level of the home and is approximately 875-square feet. Designed as an area for homeowners to relax and entertain, the room features a vaulted ceiling, fireplace and full bar.

In one model at Grosse Pointe Village in Vernon Hills, Ill., built and designed by Centex Homes, the fourth bedroom is converted to an exercise room adjacent to the master suite, below, far right. The room measures 10½ feet by 12 feet with plenty of space for equipment. □



Bonus room, above, tempts move ups. Redwood closet, right, is part of a his-and-her walk-in closet and dressing area.



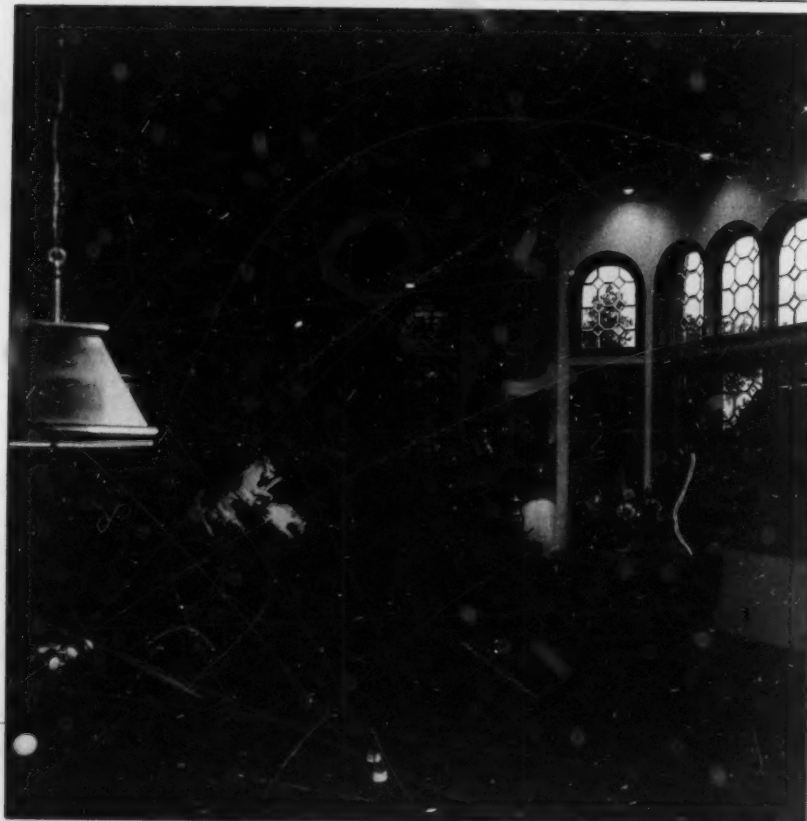


Photo: Dennis Davis



Photo: Larry Hues

Game room, top photo, is part of a two-story addition built by Todd Russell. The 875-square-foot room includes a fireplace, full bar and pool table. Above, exercise room at Grosse Pointe Village, by Centex Homes, is a converted fourth bedroom adjacent to the master suite.

Photo: Marvin Sieben

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|-------------------------------------------------|---------|-----------|----------------------------------------------------|---------|-----------------|-------------------------------------------|-----------------|-----------------|
|                                                 | Page    |           |                                                    | Page    |                 |                                           | Page            |                 |
| Abitibi-Price Corp.                             | 40-41   | <b>16</b> | Heatilator Inc., HON Industries                    | 129,BC  | <b>48-50,54</b> | Pella Windows & Doors,                    |                 |                 |
| + Abitibi-Price Corp.                           | 114f-g  | <b>59</b> | Hindman Mfg.                                       | 114     | <b>38</b>       | Rolscreen Co.                             | 121             | <b>45</b>       |
| Andersen Corp.                                  | 56-62   | <b>40</b> |                                                    |         |                 | Professional Builder & Remodeler Magazine | 115,126-127,134 |                 |
| Anistech Chemical Corp.                         | 105     | <b>28</b> |                                                    |         |                 |                                           |                 |                 |
| Azrock Industries, Inc.                         | 95      | <b>26</b> |                                                    |         |                 |                                           |                 |                 |
|                                                 |         |           | + Jensen                                           | 114a    | <b>55</b>       | Rolscreen Co.,<br>(Pella Windows & Doors) | 121             | <b>45</b>       |
|                                                 |         |           |                                                    |         |                 |                                           |                 |                 |
| + Bank of America                               | 114h    | <b>60</b> | KitchenAid                                         | 89      | <b>24</b>       | S & S Mills, Inc.                         | 33-35           | <b>13</b>       |
|                                                 |         |           | Klamath, Div. of JELD-WEN                          | 21      | <b>15</b>       | Schlage Lock Co.                          | 43-45           | <b>18</b>       |
|                                                 |         |           |                                                    |         |                 | Senco Products, Inc.                      | 8               | <b>4</b>        |
| Canon                                           | 55      | <b>23</b> |                                                    |         |                 | Sherwin Williams Co.                      | 46              | <b>19</b>       |
| Caradco, An Alcoa Co.                           | IBC     | <b>53</b> | Libbey Owens Ford Co.                              | 124     | <b>47</b>       | Skil Corp.                                | 114             | <b>39</b>       |
| CertainTeed Corp. (Siding)                      | 112     | <b>36</b> | Louisiana-Pacific Corp. (Engineered Wood Products) | 18-19   | <b>8</b>        | Smart House Venture, Inc.                 | 131             | <b>51</b>       |
| + CertainTeed Corp. (Windows)                   | 114c    | <b>56</b> | Louisiana-Pacific Corp.<br>(Innerseal)             | 30-31   | <b>12</b>       | Southern Forest Products Assoc.           | 106             | <b>32</b>       |
| Classified Advertisements                       | 125-137 |           | Louisiana-Pacific Corp.<br>(Weatherseal)           | 140     | <b>52</b>       | Superior Fireplace                        | 39,48-49,96-97  | <b>17,20,27</b> |
| Co-st Cutters, div. of<br>LRI Enterprises, Inc. | 117     | <b>43</b> |                                                    |         |                 | Toyota Motor Sales                        | 25              |                 |
| + Community Home Supply                         | 114d    | <b>63</b> |                                                    |         |                 | Transferable Systems, Inc.                | 116             | <b>41</b>       |
| Computer Product Mart                           | 138     |           |                                                    |         |                 |                                           |                 |                 |
| Cor-A-Vent, Inc.                                | 117     | <b>42</b> | Martin Industries                                  | 14-15   | <b>6</b>        | United States Gypsum Co.                  | 92,109          | <b>62,33</b>    |
|                                                 |         |           | Marvin Windows                                     | 90-91   | <b>25</b>       |                                           |                 |                 |
|                                                 |         |           | Masonite Corp. (Doors)                             | 6-7     | <b>3</b>        | Velux-America, Inc.                       | 17              | <b>7</b>        |
| Delta Faucet Co., Div. of<br>Masco Corp.        | 10-11   | <b>5</b>  | + Milgard Windows                                  | 114j    | <b>61</b>       | Vinyl Building Products, Inc.             | 108             | <b>31</b>       |
| DuPont Co.-Corian                               | 113     | <b>37</b> | Morgan Products Ltd.                               | 106-107 | <b>29</b>       |                                           |                 |                 |
|                                                 |         |           |                                                    |         |                 |                                           |                 |                 |
|                                                 |         |           | Nord, A Div. of JELD-WEN                           | 110-111 | <b>34-35</b>    | Weather Shield Mfg., Inc.                 | 36-37           | <b>14</b>       |
| Flood Company, The                              | 123     | <b>46</b> | NuTone Inc.                                        | 1-3     | <b>2</b>        | Wenco, Division of Jeld-Wen               | 103             | <b>75</b>       |
|                                                 |         |           |                                                    |         |                 | Whirlpool Corporation                     | 101             |                 |
|                                                 |         |           |                                                    |         |                 | Wolverine Technologies, Inc.              | 22-23           | <b>9</b>        |
|                                                 |         |           | P&M Cedar Products, Inc.                           | 51      | <b>21</b>       |                                           |                 |                 |
| General Electric Co.                            | IFC     | <b>1</b>  | + Pacific Coast Builders Conference                | 114i    |                 | York Spiral Stair                         | 106             | <b>30</b>       |
| Georgia Pacific                                 | 118     | <b>44</b> | + Pacific Gas & Electric                           | 114e    | <b>57</b>       |                                           |                 |                 |
| + Georgia Pacific                               | 114k-p  |           | Peachtree Doors, Inc.                              | 26-27   | <b>11</b>       | + Regional Advertising                    |                 |                 |
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# INDICATORS

## Multifamily Production Continues To Slide

**The credit crunch and continued recessionary trends keep multifamily starts down.**

The hoped-for recovery in multifamily construction has been dealt a severe blow by the credit crunch and the general economic recession. Cahners Economics forecasts that declines in apartment and condominium unit production will continue through 1991, with total starts in multifamily buildings falling for the sixth consecutive year.

Total multifamily starts last year declined to 298,000 units, 20.1% below 1989's level. Seven out of every eight starts were in buildings with five or more units. Inflation-adjusted spending on new apartment and condominium/cooperative buildings fell 15.7% in 1990.

Through the first three months of 1991, multifamily construction starts were at the seasonally adjusted annualized rate of only 194,300 units. There were signs, nevertheless, that the worst of the declines are behind us. Building permits for new multifamily construction surged almost 19% during March, recovering from the extraordinarily low rates recorded under the pall of

the January-February Persian Gulf War.

Other positive long-term indicators include falling apartment vacancy rates and rising absorption rates for those declining numbers of units that are coming to market. The rental vacancy rate for last year's final three months stood at 7.2%, down 0.3 percentage points from the first quarter of the year. Similarly, trends in the absorption rate show demand for the greatly reduced supply of apartments that are being completed. □

### Interest Rates Drop; Affordability Climbs

Mortgage interest rates have been the pleasant surprise of the spring. Declines since November have been uninterrupted and of a more substantial magnitude than all but the most optimistic forecasters had expected.

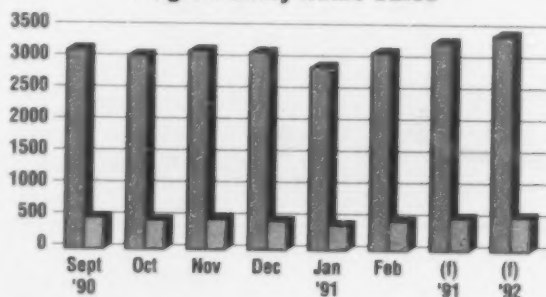
The average fixed-rate mortgage written during February of this year cost 9.37%—more than a full percentage point less than the most recent peak of 10.48% recorded during May of last year. Consumers can expect even lower rates in the days ahead. For all of 1991, Cahners Economics is forecasting that fixed-rate mortgages will average 9.25%. □

## Regional Market Conditions (Year-To-Date Trends)

|                   | S-F Home Permit % | Average S-F Permit Value | Remodeling Permit % | Employment Change |
|-------------------|-------------------|--------------------------|---------------------|-------------------|
| Providence, R.I.  | -13.1%            | \$85,637                 | -12.9%              | -1.9%             |
| Buffalo, N.Y.     | -11.9%            | \$111,545                | +18.4%              | -0.7%             |
| Washington, D.C.  | -24.6%            | \$83,304                 | -5.5%               | -0.7%             |
| Birmingham, Ala.  | +1.7%             | \$87,015                 | -5.8%               | +1.5%             |
| Little Rock, Ark. | +11.0%            | \$81,848                 | -5.7%               | +1.2%             |
| Indianapolis      | +2.1%             | \$109,327                | +7.6%               | +0.5%             |
| Des Moines        | +19.1%            | \$90,943                 | +49.1%              | +0.7%             |
| Albuquerque       | -8.8%             | \$91,293                 | -3.6%               | +0.4%             |
| Portland, Ore.    | +25.3%            | \$109,235                | +40.1%              | +2.6%             |

Source: U.S. Departments of Commerce and Labor.

## Single-Family Home Sales

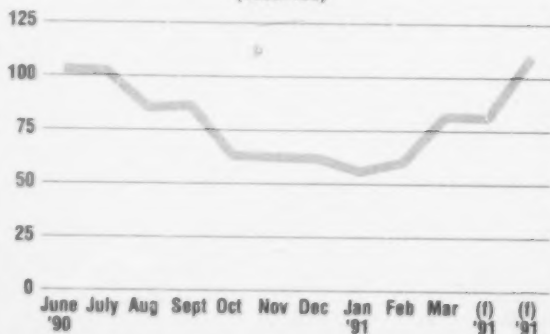


Existing New

Data reflect seasonally adjusted annual rate, in thousands.

Source: National Association of Realtors; U.S. Dept. of Commerce. Forecast: Cahners Economics.

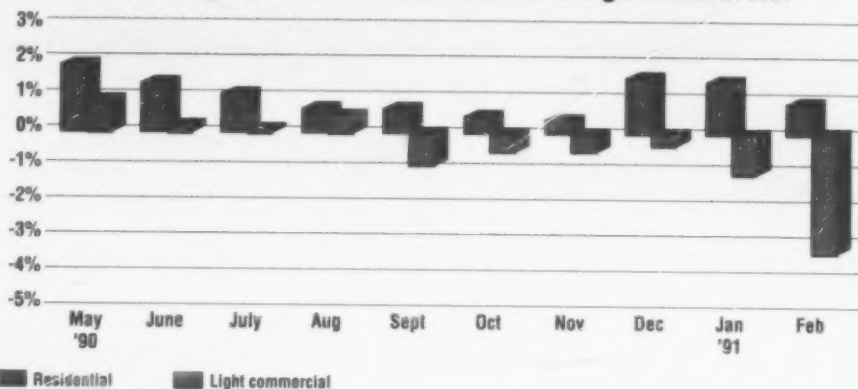
## Consumer Confidence Index (1985=100)



Source: The Conference Board. Forecast: Cahners Economics.

# INDICATORS

## Remodeling Permit Trends: Residential & Light Commercial



Data reflect percent change in 12-month moving totals.  
Source: U.S. Department of Commerce.

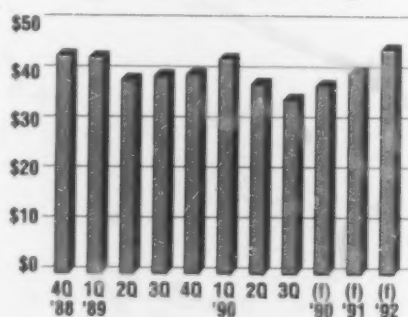
## Commercial Remodeling Activity Weakens

Even as the residential building sector shows the first sign of recovery, activity in the commercial sector continues to fade. Although all indications are that commercial renovation/rehabilitation work is holding up better than new commercial development, the reconstruction market is weakening.

Early in 1990, the value of residential remodeling

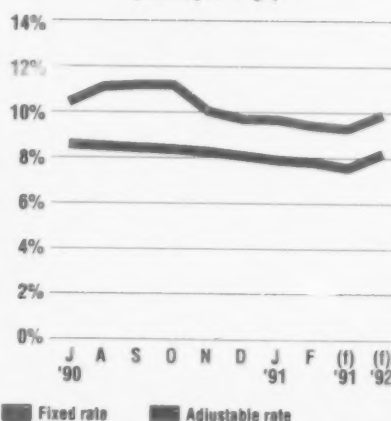
permits was growing at the rate of 2.6% annually. At the same time, permits for commercial reconstruction work were moving ahead at a 6.4% annual rate. This relationship was turned on its head in mid-1990. During February, light-commercial reconstruction permit values were declining at a 3.3% annualized rate. Continued weakness is expected. □

## Consumer Spending on Residential Remodeling



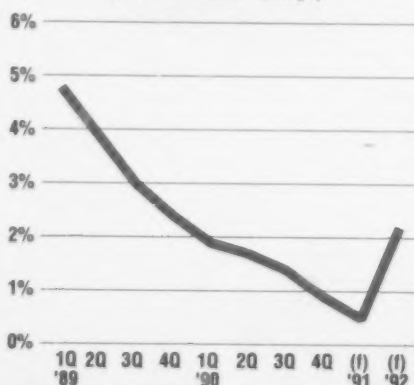
Data reflect seasonally adjusted annual rates, billions of \$.  
Source: U.S. Department of Commerce. Forecast: Cahners Economics.

## Mortgage Interest Rates (Monthly Average)



Source: Federal Home Loan Mortgage Corp. Forecast: Cahners Economics.

## Growth In Real Disposable Personal Income (Over-The-Year % Change)



Source: U.S. Department of Commerce. Forecast: Cahners Economics.

## Key Trends At A Glance

|                             | Feb 1991  | June 1990 |
|-----------------------------|-----------|-----------|
| Total housing starts*       | 989,000   | 1,187,000 |
| New home sales*             | 467,000   | 549,000   |
| Remodeling permit trend     | -3.3%     | +3.1%     |
| Consumer confidence index** | 59.4      | 102.4     |
| Median new home price       | \$127,500 | \$125,000 |
| Fixed-rate mortgages        | 9.37%     | 10.16%    |
| Construction wage trend     | +1.6%     | +2.6%     |

\* Seasonally adjusted annual rate.  
\*\* 1985 = 100.

## Existing Home Sales Bounce Back

Sales of existing single-family homes have held up much better than the sales of new homes during this severe housing recession. Last year's total resales were 4.7% below the 1989 total—a more modest decline than the 17.8% drop in new home sales.

It was encouraging to see a surge in resales following the resolution of the Persian Gulf crisis. The January resale rate represented the low point of this cycle; the annualized rate of existing home sales rose by almost 8% during February. □